

Facts for Consumers

Buying Time: The Facts About Pre-Paid Phone Cards

TELEPHONE



Federal Trade Commission	Toll-free 1-877-FTC-HELP
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Pre-paid phone cards represent telephone time you buy in advance. You pay from \$5 to \$15 or more up-front for local or long-distance phone time; the amount of time you buy depends on the rate-per-minute you're charged. For many people, pre-paid phone calls offer the ultimate in convenience. The phone time's been paid for in advance; the card can be used from any phone; and there's no need to think about carrying coins or paying a bill later on.

First marketed as clever novelties, pre-paid phone cards now are sold at newsstands, post offices, travel agencies, retail stores, and grocery and convenience stores. They are used mostly by travelers, students, people who regularly call overseas, and those who may not have long-distance telephone service. Some pre-paid phone cards can be recharged, usually by billing the additional cost to your credit card. And some cards have advanced features like speed dialing for frequently called numbers and an activity report of called numbers, which may be handy for business purposes.

Occasionally, pre-paid phone cards have a hidden cost: because you've paid up-front, you may be out of pocket — and out of luck — if you discover a problem trying to use the card. That's a big difference between pre-paid phone cards and traditional long distance calling cards, where charges don't appear on your bill until after you've made the call. Some issuers provide a replacement number on a separate document when you

buy the card. If your card is lost or stolen, give the issuer the number to recover your unused calling time.

How Pre-Paid Calling Cards Work

Most pre-paid phone cards display a toll-free access telephone number and a personal identification number (PIN). Pre-paid phone card companies have computers that use your PIN to keep track of your card usage — how much phone time you have on your card in minutes or units. To make a phone call, you dial the access number, enter your PIN, and at the voice prompt, enter the phone number of the party you're trying to reach. A computer tells you how much time — or how many units — you have left on your card, and how to use other features your card may offer. Typically, each unit equals one domestic minute. If your pre-paid phone card can't be recharged — that is, if you can't buy additional minutes by phone for the card — you'll need to buy another card once you've used up the time or minutes.

Several key players are involved in making sure your phone card works:

Carriers are responsible for the telephone lines that carry your calls.

Resellers buy telephone minutes from carriers.

Issuers set the rates and provide toll-free customer service and access numbers.

Distributors get the cards to retailers.

Retailers sell the cards.

Carriers and resellers can issue their own pre-paid phone cards; but if they don't issue the cards, they're not likely to be responsible for any problems you may have. When you buy a pre-paid phone card from a store, it's important to remember that you've bought a telephone service, not a product. The store doesn't control the quality of the service. To make sure you're getting what you've paid for, you may want to buy a small denomination first to test out the service, and check with friends or relatives to find out their experience with the card.

Consumer Concerns

As the pre-paid phone card industry mushrooms, and as more people buy and use the cards, some problems are coming to light. The most common consumer complaints are about:

- access numbers or PINs that don't work;
- issuers who go out of business, leaving card-holders with a useless card;
- customer service numbers that are busy or simply don't work;
- toll-free access numbers that are constantly busy, preventing use of the card;
- rates that are higher than advertised;
- hidden connection charges, taxes and surcharges;

- cards that debit minutes or units even when you don't connect with the party you're calling; and
- poor quality connections.

Buying Time and Value

Consumers can avoid many of these problems — and buy considerable peace of mind — by planning ahead. Although many pre-paid phone cards are impulse purchases, you can preempt disappointment by checking out a few things in advance:

- Ask if the retailer will stand behind the card if the telephone service is unsatisfactory.
- Look for the rate for domestic and international calls on the card's package or on the vending machine. These rates may vary depending on where you call. If you can't find the rate, call the card's customer service number.
- The pre-paid phone card industry is highly competitive. Beware of very low rates, particularly for international calls. They may indicate poor customer service.
- Look for disclosures about surcharges, monthly fees, per-call access, and the like, in addition to the rate-per-minute or unit. Some cards add a surcharge to the first minute of use. Others charge an activation fee for recharging cards.
- Check on expiration dates. Most cards expire one year after first use. If there is

no expiration date, a card usually is considered "live" until all phone time is used.

- Look for a toll-free customer service number. If the customer service number isn't toll-free or displayed, it may be difficult to contact the company if you have a problem with the card. A busy signal on the customer service line may be a tip off to a rip-off.
- Be sure the card comes with instructions that you understand.
- Make sure the card comes in a sealed envelope or has a sticker covering the PIN. Otherwise, anyone who copies the PIN can use the phone time you've already paid for.
- Ask friends and relatives for references on the card you're thinking of buying.

Consider these questions:

- Were they charged for a call when there was no answer or when the line was busy?
- Was there a minimum charge for each call? For example, were charges based on a minimum of three minutes even though the call lasted 30 seconds?
- Was the access number inaccessible because of a constant busy signal?

Selling Cards

If you want to distribute pre-paid phone cards or sell them in your store, the same considerations apply. Ask the company for references of the company providing the phone time and try to determine the competitiveness of the rates being offered. Extraordinarily low rates may not result in high quality service, and may be offset by undisclosed charges. Consumers are more likely to return to your store expecting a refund if the cards they bought don't work.

For More Information

If your card doesn't work even after you've called the customer service number, call or write to the following organizations:

- Your local Consumer Affairs Department or state Attorney General.
- Your local Better Business Bureau to file a complaint or get a report based on customer experience.
- The Federal Trade Commission. Although the FTC cannot represent you directly in a dispute with a company, it can act when it sees a pattern of possible law violation. Contact the Consumer Response Center by phone: toll-free 1-877-FTC-HELP (382-4357); TDD: 202-326-2502; by mail: Consumer Response Center, Federal Trade Commission, 600 Pennsylvania Avenue, NW, Washington, DC 20580; or by email: use the complaint form at www.ftc.gov.

For information on a variety of topics of consumer interest, contact:

- The Better Business Bureau serving Metropolitan New York, 257 Park Avenue South, New York, NY 10010. Or access the Bureau's website at www.newyork.bbb.org.
- **Best Sellers**, Federal Trade Commission, Consumer Response Center, Washington, DC 20580, or visit www.ftc.gov.
- American Express Company, P.O. Box 4635, Trenton, NJ 08650-4635. Or access American Express at www.americanexpress.com.